

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the  
Application of

Docket No. 2006-0387

MAUI ELECTRIC COMPANY, LIMITED

For Approval of Rate Increases and Revised Rate Schedules.

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## TRANSCRIPT OF PROCEEDINGS

The above matter came on for public hearing at Lihikai School Cafeteria, 335 S. Papa Avenue, Kahului, Maui, Hawaii, commencing at 6:05 p.m., on Wednesday, April 25, 2007, pursuant to Notice.

BEFORE: CHAIRMAN CARLITO P. CALIBOSO  
COMMISSIONER JOHN E. COLE

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## PROCEEDINGS

CHAIRMAN CALIBOSO: Good evening. My name is Carlito Caliboso, Chairman of the Public Utilities Commission of the State of Hawai'i. I am joined by Commissioner John Cole. This is a public hearing held by the Commission to receive public comments in Docket Number 2006-0387. This docket concerns the application of Maui Electric Company, Limited, or MECO, filed on February 23rd, 2007, for Commission approval of rate increases and revised rate schedules.

The Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs or the consumer advocate is also a party of this proceeding. Representatives of MECO and personnel from the consumer advocate's office are present this evening and will be available after the public hearing to answer any questions that you may have. Additionally, MECO will be given an opportunity to respond to any comments and views presented during this public hearing after all interested individuals have testified. Anyone interested in testifying this evening should sign up at the table on the side of the room.

With that, we will begin first with MECO, the consumer advocate, and then anyone from the public who would like to testify. Mr. Edward Reinhardt, Maui Electric Company.

1 MR. REINHARDT: Good evening, Chairman Caliboso,  
2 Commissioner Cole and members of the audience. My name is  
3 Edward Reinhardt, and I'm president of Maui Electric  
4 Company. Let me begin by thanking all our customers who  
5 came tonight to share their thoughts. It is important for  
6 us to know what is important to all of you. We know that  
7 any rate increase is not a happy event for any customer, and  
8 we therefore never make the decision to apply for one  
9 lightly.

10 We also however need to do the right things by our  
11 system, especially maintaining reliable service, and  
12 unfortunately, that sometimes means rate increases.  
13 Millions of dollars have been invested in the current Maui  
14 Electric facilities. Since Maui Electric's last rate  
15 increase eight years ago, we have installed two new  
16 generating units at the Maalaea generating station that will  
17 enable us to continue to provide reliable electric service  
18 to our growing communities on Maui. We have an obligation  
19 to keep that system maintained and in good working order for  
20 our customers, and we will do so.

21 So with that as a background, let me discuss the  
22 specifics of this particular rate increase. Tonight I will  
23 briefly cover how much of an increase we are asking for,  
24 what the increase will be used for and how it will affect  
25 customer bills. In particular, I want to explain the

1 innovative new rate structures we are proposing to help  
2 minimize the impact on lower income families and those who  
3 conserve energy.

4           How much of an increase is MECO requesting and how  
5 will it be structured? MECO is requesting an net overall  
6 increase of 5.3 percent or \$19 million in base revenues.  
7 However, we have proposed opportunities for customers to  
8 save money and to fairly shift more of the responsibility to  
9 those who contribute the most to high electricity costs.  
10 First, we are asking the Commission to approve a residential  
11 tiered rate structure so those who use less electricity will  
12 pay lower rates. Under this plan, the majority of customers  
13 on Maui will see smaller monthly increases in their electric  
14 bill in the range of 2 percent to 4.4 percent.

15           Those who use of a lot of electricity will see  
16 larger increases in their monthly bill; for example,  
17 approximately 6.6 percent for residents using 2,000 kilowatt  
18 hours. This new tiered system encourages energy  
19 conservation and efficiency and rewards customers to use  
20 energy wisely. We have proposed similar rate structures for  
21 the Big Island and Oahu at the same time recognizing that  
22 some low income families have large households with higher  
23 electricity use. We also -- we are also developing a  
24 provision to cap the electric rate applied for certain low  
25 income households so that the tiered rate system does not

1 unduly burden these families.

2           Second, to encourage use during off-peak times  
3 when power reserves are greater, the proposal also includes  
4 a voluntary time-of-use rate option for residential and  
5 commercial customers, which would provide lower electric  
6 rates for off-peak usage times and higher electric rates for  
7 peak usage times.

8           Why is a rate increase needed? The major reason  
9 for this requested increase is the addition of the M18 and  
10 M19 generating units at the Maalaea Generating Station. The  
11 installation of M19 in September 2000 and M18 in October of  
12 last year completed the final phases of a three-phase  
13 dual-train combined cycle project. In addition to providing  
14 an increase of 58 megawatts of capacity to MECO's generating  
15 system, M18 requires no additional fuel oil producing power  
16 from the waste heat of combustion turbines M17 and M19. The  
17 requested increase would also cover other investments in the  
18 MECO electric system to replace and upgrade aging equipment.

19           Our responsibility to provide reliable electrical  
20 service on Maui requires us to ensure proper maintenance of  
21 our electrical equipment and facilities. This includes more  
22 frequent inspections of utility lines and poles, increased  
23 vegetation management to keep our lines clear of trees and  
24 brush that could cause service outages and proper servicing  
25 of our power generators.

1           What is the effect of the rate increase on  
2 customer bills? What most of our customers will want to  
3 know is how will this increase affect my electric bill. If  
4 approved, MECO's tiered-rate structure would provide smaller  
5 percentage increases for those who use less electricity.  
6 For example, if the full request is approved, a typical  
7 residential customer on Maui using 600 kilowatt hours a  
8 month would pay \$7.78 more or about a 4.5 percent increase  
9 instead of the overall 5.3 percent increase.

10           Again, the tiered system we are proposing is  
11 intended to encourage conservation and lessen the impact on  
12 residential customers who use smaller amounts of  
13 electricity. If approved, we anticipate the earliest a rate  
14 increase might take affect is in late 2007. In conclusion,  
15 thank you for this opportunity to briefly describe our rate  
16 increase application. As I mentioned earlier, we will be  
17 available after the public hearing to answer your questions  
18 and concerns. Thank you.

19           CHAIRMAN CALIBOSO: Thank you, Mr. Reinhardt.

20           Ms. Catherine Awakuni, consumer advocate.

21           MS. AWAKUNI: Thank you, Mr. Chairman. Good  
22 evening, Chairman Caliboso and Commissioner Cole. I'm  
23 Catherine Awakuni, Executive Director of the Division of  
24 Consumer Advocates. The division represents the interests  
25 of consumers -- interests of the consumers in public

1 utilities matters. And to that end, I'm here this evening  
2 to listen to the consumers' comments and concerns regarding  
3 Maui Electric Company Limited's or MECO's request for  
4 approval to increase its rates and revise its rate  
5 schedules. The consumer advocate's role is to represent the  
6 interests of all the Hawai'i consumers of public utility  
7 services by advocating for reliable utility services at  
8 reasonable customer costs.

9 To do this, the consumer advocate is taking an  
10 independent look at MECO's request for Public Utilities  
11 Commission approval of its rate increase. We will confirm  
12 whether there is a need for the proposed rates and whether  
13 the rates proposed are necessary to ensure the provision of  
14 reliable service. After completing our review, we will file  
15 direct testimonies with the Commission explaining our  
16 analysis and recommendations.

17 At this time, the consumer advocate has not  
18 completed its analysis and is not able to state its position  
19 on the merits of MECO's request this evening. If this  
20 application goes to an evidentiary hearing, the division's  
21 analysts and consultants who submit direct testimony will  
22 have an opportunity as witnesses to orally summarize their  
23 written testimony before the Commission. And because an  
24 evidentiary hearing is a quasi-judicial proceeding, the  
25 witnesses will be subject to thorough cross-examination by



1 all parties.

2           Following the contested case hearing, the parties  
3 will summarize their positions in post hearing briefs. The  
4 Commission will ultimately decide whether to allow MECO to  
5 proceed with its request, and we encourage the public to  
6 express their opinions to the Commission regarding MECO's  
7 proposal. Your input is important because only you can tell  
8 us what effect the company's proposal may have on you and  
9 the businesses you may represent.

10           As we move forward, the please feel free to  
11 contact the division's office at any time to share your  
12 thoughts, concerns and questions regarding this or any other  
13 utility matters. I have additional copies of my  
14 presentation, which includes our contact information up with  
15 the Commission staff at the sign-in desk. Thank you for  
16 this opportunity to make this presentation.

17           CHAIRMAN CALIBOSO: Thank you, Ms. Awakuni. Mike  
18 Gresham, Kaheawa Wind Farm.

19           MR. GRESHAM: Commissioner Cole and Chairman  
20 Caliboso, aloha. Audience, aloha. I have a few comments to  
21 add to the record tonight. First of all, my name is Mike  
22 Gresham, and I'm here tonight representing Kaheawa Wind  
23 Power. As you know, Kaheawa is a 30-megawatt renewable wind  
24 energy facility here on Maui. Kaheawa is otherwise known as  
25 a wind farm. That's because we do harvest the energy in our

1 local wind resource. Last week we've had a lot of resource  
2 to harvest as everybody here on Maui knows, so it was a good  
3 week.

4 At the end of 2004, Kaheawa entered into a power  
5 purchase agreement with Maui Electric, and in March of 2005,  
6 the PUC approved that agreement. And in June of 2006,  
7 Kaheawa began generating renewable energy into the Maui  
8 grid. That purchase agreement with MECO specified that  
9 Kaheawa would sell 70 percent of its generation at a fixed  
10 price of approximately 8 and a half cents per kilowatt hour  
11 and the remainder at avoided costs.

12 In round numbers, that adds up to about 11 cents  
13 per kilowatt hour for our renewable wind energy at today's  
14 avoided costs. This represents a discount of approximately  
15 36 percent from the current avoided costs, and it represents  
16 even a little more of a discount, about 39 percent, from the  
17 17.9992 cents per kilowatt that's specified in MECO's  
18 current rate increase request under the base fuel energy  
19 charge. It also represents about 40 percent per kilowatt  
20 hour savings from the bill I received from MECO at my home  
21 last year.

22 So as a fuel, wind is not only clean with all  
23 associated benefits of a clean fuel, but it's also cheaper  
24 than fossil fuels as represented in the MECO request. I  
25 frequently am asked to give presentations at community

1 events and sometimes for community groups like the Rotaries,  
2 for example, and after I describe the challenges in  
3 permitting and building a project like Kaheawa and then I  
4 describe the benefits of the project, I get a series of  
5 questions. And quite often, they're the same.

6           And they kind of go like this. They say, wow,  
7 that's a great project. Kaheawa is something that we've  
8 needed for a long time. When are you going to put up more  
9 turbines? I get another question that's pretty typically --  
10 if you can produce clean energy at a favorable cost, MECO  
11 must be taking all you can produce. And my answer is, no,  
12 they won't. Another typical question is if you can produce  
13 energy at that low cost, how come my bill doesn't go down?  
14 That's a harder question to answer, and it's a complicated  
15 answer. But people do ask it, and that is definitely one of  
16 the things the community wants to know.

17           So in the context of this background, I have the  
18 following simple questions really for your consideration.  
19 In light of the rate increase by MECO, how does the  
20 Commission view the cost effectiveness of additional wind  
21 power on Maui and in our state in terms of ratepayer  
22 benefits? And secondly, to the extent that renewable wind  
23 energy resources are demonstrated to be a lower cost option  
24 than diesel generation, as is the case with Kaheawa, is the  
25 Commission amenable to substantially expanding the share of

1 wind in our fuel megs over the next 20 years covered by the  
2 IRP process? Why has MECO only projected 10 megawatts of  
3 additional wind for Maui?

4 Under the energy cost adjustment clause in the  
5 current proposal, it states, and I'm paraphrasing now  
6 because it's a little bit long, but that when the purchased  
7 energy cost is more or less than 15 cents per kilowatt hour,  
8 a corresponding adjustment to the energy costs shall be  
9 made. Will the Commission make this cost savings visible to  
10 the ratepayer by putting this renewal energy savings on the  
11 ratepayer's invoice? It's something again I've been asked  
12 many times if that's possible.

13 So in conclusion, ratepayers deserve dependable  
14 energy, which by the way, we feel that MECO has delivered.  
15 We believe they're doing a great job at that. Ratepayers  
16 deserve it at the lowest possible cost and with the least  
17 detrimental environmental effects possible. Fossil fuels  
18 have served us well in the past, but for our future well  
19 being as a community, we need to move away from our  
20 dependence on fossil fuels. I for one hope you can lead us  
21 in that direction. Thank you.

22 CHAIRMAN CALIBOSO: Thank you, Mr. Gresham.

23 MR. KOBAYASHI: Kal Kobayashi, County of Maui.  
24 Good evening, Mr. Chairman, Commissioner Cole, Commission  
25 Staff and Consumer Advocate Awakuni. My name is Kal

1 Kobayashi, and I work for the County Department of  
2 Management, and I'm speaking this evening on behalf of the  
3 County of Maui. Our testimony focuses on rate design  
4 issues, and we take no position on the magnitude of MECO's  
5 rate, requested rate increase. The County welcomes MECO's  
6 proposal for tiered residential rates; however, we question  
7 whether it will have any significant consumer impact because  
8 the price of the highest tiers are only about \$1.35 per  
9 kilowatt hour more than the lowest tiers.

10 Therefore, we offer the following recommendations.  
11 Consider reducing the price of the lowest tier. The lowest  
12 tier, 0 to 350 kilowatt hours, serves as a lifeline rate for  
13 low income residential ratepayers. The kilowatt hour size  
14 of this tier appears reasonable, but the County feels that  
15 consideration should be given to lowering the rate of this  
16 tier to maximize the cost savings for the low income sector.  
17 In concept, a low lifeline rate mitigates the need for other  
18 low income programs.

19 Second, consider directing MECO to complement  
20 their lifeline rate tiers with low income demand-side  
21 management and public information programs to roll out --  
22 and to roll out said low income programs in conjunction with  
23 the introduction of the tiered residential rates.

24 Moving aside from these written comments,  
25 Mr. Reinhardt explained another facet of their low income

1 residential programs. I did not see that as I reviewed this  
2 application. And from what I heard tonight, it sounds good  
3 and we endorse that.

4 Consider raising the rate of the highest tier or  
5 consider adding one or two more higher tiers to address high  
6 usage residential ratepayers, particularly those with  
7 air-conditioned homes. For example, Pacific Gas and  
8 Electric has five residential tiers with the highest tier  
9 being approximately twice the rate of the lowest tier.

10 Next, consider directing MECO to complement the  
11 highest rate tier with DSM and public information programs  
12 such as installation rebates and load control programs to  
13 address air-conditioning and other high energy end uses.  
14 Further, consider directing MECO to roll out said high  
15 energy use programs in conjunction with the introduction of  
16 the tiered residential rates.

17 Next, consider directing MECO to analyze the cost  
18 effectiveness of residential DSM programs in the context of  
19 the rate -- in the context of the tiered rate structures.  
20 We feel that a high rate tier can be an effective policy  
21 tool in promoting energy efficiency. Next, consider  
22 directing MECO to analyze the cost effectiveness of  
23 residential demand-side distributed generation programs such  
24 as rooftop photovoltaic systems in the context of the tiered  
25 rate structures. We feel that a high rate tier can be an

1 effective policy tool in promoting photovoltaic and other  
2 distributed generation systems.

3           Next, consider directing MECO to revise their  
4 tiered rate structures, per the above recommendations in a  
5 revenue neutral manner.

6           The County also welcomes MECO's proposed  
7 time-of-use rates for residential and commercial ratepayers.  
8 The County is a little concerned that the subscription  
9 levels for the proposed time-of-use rates will be low as we  
10 understand is the case with the existing time-of-use rate  
11 schedule. Accordingly, the County suggests that the  
12 Commission consider making the proposed time-of-use rate  
13 schedules more user friendly by reducing or eliminating the  
14 priority peak and mid peak charges.

15           The County feels that it's very important to use  
16 rate design as an IRP resource to support technology based  
17 demand-side management programs. MECO apparently shared the  
18 County's position in 1991 when MECO testified before this  
19 Commission in the docket instituting a proceeding to require  
20 electric utilities -- energy utilities in Hawai'i to  
21 implement integrated resource planning.

22           And I'll quote their statement in that docket.  
23 "Rate design or pricing of utility service complements the  
24 technology based demand-side options for load shifting, load  
25 management or peak clipping purposes. Appropriate pricing

1 or rate design is one of the key determinants of the  
2 cost-effectiveness to customers of demand-side options,  
3 which require initial customer investments. Rate design  
4 could be used in the IRP as a valuable tool to increase  
5 customer participation in demand-side management programs.  
6 Rate design could also offer a valuable and cost-effective  
7 alternative to technology-based demand-side programs for  
8 achieving the same DSM objectives."

9           Unfortunately, MECO changed its position in 1992  
10 during MECO's IRP-1 cycle, and they do not incorporate rate  
11 design-based DSM resources in the IRP process.

12           Therefore, the County recommends that the  
13 Commission direct MECO to promptly take this matter -- to  
14 take up this matter in its current IRP-3 cycle. Matters to  
15 be discussed include the goals of inclining block rate  
16 structures and time-of-use rate structures, the number of  
17 appropriate rate blocks, the appropriate rate for each block  
18 structure, estimates of the impacts of the rate structures,  
19 the cost-effectiveness of DSM and distributed generation in  
20 relation to the various rate blocks, new low income and  
21 air-conditioning DSM programs to complement the proposed  
22 rate structures and public information programs to educate  
23 the public on the new rate structures and the measures  
24 available to mitigate potential cost increases.

25           The County recommends that the current IRP-3 cycle



1 should be used to evaluate the rate design options,  
2 complementary DSM programs and public information programs  
3 so that a comprehensive public outreach program can be  
4 conducted in conjunction with the establishment of the new  
5 rate structures. This will also allow the public and Maui  
6 Electric's IRP advisory group the opportunity to provide  
7 meaningful input.

8           The County also recommends that the Commission  
9 direct MECO to reconfigure the energy charge in schedule F  
10 for public street lighting in order to make it user  
11 friendly. The current rate structure bifurcates the charge  
12 by load factor, which means that a customer needs to know  
13 the amount of the connected load in order to calculate the  
14 energy charge. This approach seems unnecessary, especially  
15 for the County with hundreds of street lights on a bill.

16           Instead, we recommend that a single energy charge  
17 be specified. The County concludes its comments with a few  
18 related matters. First, we recommend that the Commission  
19 direct MECO to post its current and proposed rates on their  
20 website. This will facilitate the public's understanding of  
21 what's being proposed. Secondly, we recommend that the  
22 Commission direct MECO to improve its billing information by  
23 identifying the amount and type of resources consumed by the  
24 consumer. This will facilitate the public's understanding  
25 of the environmental impacts associated with their energy

1 usage.

2 The County of Maui appreciates this opportunity to  
3 provide testimony on this important matter, and I'm willing  
4 to respond to any questions that you may have. Thank you.

5 CHAIRMAN CALIBOSO: Thank you Mr. Kobayashi.

6 Warren Shibuya.

7 MR. SHIBUYA: Good evening, Chairman Caliboso,  
8 Commissioner Cole and Ms. Awakuni and members present in  
9 this hearing. I'm Warren Shibuya. I'm a retired Maui  
10 resident. I do not represent any business. I want Maui and  
11 Hawai'i less dependent on fossil fuels. Mahalo for allowing  
12 me to testify.

13 I ask PUC three things. Number one, as you know,  
14 our electric rates depends on vagaries of the market  
15 determined cost for fossil fuels and MECO efficiencies for  
16 their electric power generating operation systems and  
17 administration. Two, for statewide renewable energy cap,  
18 PUC please raise state wide cap of 0.5 percent to 2.5 percent  
19 of peak electric generating capacity and extend through  
20 2012.

21 More Hawai'i state residents should install  
22 renewable energy generators using sun and wind energies.  
23 PUC raised cap allows public to safely generate at a  
24 reasonable amount of renewable electricity and share with  
25 utility customers. Most importantly, PUC raised cap

1 demonstrates an earth friendly and righteous commitment to  
2 distributing renewable produced electricity for Hawai'i.

3           Three, PUC, please recommend increasing state  
4 incentives retroactively raising tax credits to \$9,000 for  
5 home photovoltaics PV generator systems. Five main reasons  
6 are; one, initial photovoltaic installation investments are  
7 large. A small family-sized PV system costs between 20 and  
8 \$38,000 for a 3.2 to a 4.8 kilowatt hour system.

9           Today's 35 percent tax credit capped in 2005 at  
10 \$1,750 is actually 8.75 to 4.6 percent. This same 35  
11 percent tax credit capped midway between 2006 is actually  
12 25, between that and 13.2 percent, incentives still short of  
13 intended 35 percent tax rate.

14           Two, today's homeowners want to do the right  
15 thing. Homeowners must venture into unfamiliar waters and  
16 need investment help because worldwide demand for limited  
17 manufactured PV modules are boosting unit prices. Onetime  
18 \$9,000 state tax credit is a wise and worthy long-term  
19 investment. Tax credit of \$7,000 to \$9,000 will raise  
20 quality of life in Hawai'i and minimize a household or  
21 family's burden on earth environment.

22           Number three, systems costing between \$20,000 and  
23 \$38,000 generate about 300 to 450 kilowatt hours per month  
24 of sun generated electricity below Maui's 600 kilowatt hour  
25 average home electricity demand. A small PV system could

1 provide a conservative cost-avoidance of about \$74 to \$110  
2 monthly in the home electric bills or about \$1,100 a year.  
3 PV benefits Hawai'i's life qualities during a family's life.

4 Four, a PV system provides MECO and utilities with  
5 immediate fuel savings and delays land acquisitions, systems  
6 and facilities expansion expenses.

7 Five, if homeowners do not install PV systems now,  
8 they may not be able to afford later or may need larger tax  
9 incentives. In 2004, manufacturers of PV modules had about  
10 a six-month production wait list due to significant numbers  
11 of buyers from Germany, Japan, Spain and a concomitant price  
12 increase. I personally experienced this.

13 Converting sun's radiant energy and delivering  
14 clean electricity reduces our earth pollution footprint as  
15 you know. This past year, a Maui home PV system generated  
16 8,600 kilowatt hours of electricity in one year.

17 Conservatively, MECO did not use 14 barrels of diesel fuel  
18 to generate this electricity. Imagine 1,000 Hawai'i homes  
19 with PV systems avoiding 14,000 barrels of fossil fuels  
20 annually. Then over 20 years, a generation. Each barrel,  
21 as you know, is 55 gallons times 14,000 barrels equals  
22 770,000 gallons for these 1,000 homes saved annually. You  
23 do the avoidance math computing gallons consumed for the  
24 generations.

25 What are the associated manpower costs related

1 with moving, obtaining and delivering and using the 770,000  
2 gallons every year for these 1,000 homes? That's  
3 significant how we make work for us and how we make work to  
4 use energy.

5           This PV model eliminates oceanic and island  
6 transporting, handling, trucking and storing manpower,  
7 facilities and expenses, which are passed onto electricity  
8 users. We depend on you, PUC members, to vision beyond the  
9 horizon doing the right thing to benefit both Hawai'i  
10 families and earth environment.

11           Today's economics seeks payback. PV payback  
12 accelerates with every MECO rate increase. If you like  
13 paying \$17.06 per month to MECO and apply a state tax  
14 credit, you must install a PV system and avoid sizeable  
15 monthly electricity costs and malama earth environment and  
16 aina.

17           Future payback could be punishing the next  
18 generation. Remember, science of economics lacks answers  
19 describing cost-impact after the resources are all consumed.  
20 After you consume and spend fossil fuel resources today, the  
21 question is what are follow-on energy costs for future  
22 generations? How are we paying back, or are we punishing  
23 customers or investing in renewable energy uses for future  
24 generations? We have no choice. We must displace petroleum  
25 generated electric power and install renewable energy

1 systems starting right now. Thank you. Any questions?

2 CHAIRMAN CALIBOSO: Thank you, Mr. Shibuya. Would  
3 anyone else like to testify this evening?

4 Seeing none, at this time, I would like to give  
5 Mr. Reinhardt and MECO an opportunity to respond to anything  
6 that was said this evening.

7 MR. REINHARDT: Thank you, Chairman Caliboso.  
8 Regarding the comments made by Mr. Gresham on the Kaheawa  
9 Wind facility, you know, it's most appropriate to handle  
10 these comments in our advisory group discussions. In our  
11 IRP-3 advisory group, we've had some discussions on that.  
12 Kaheawa Wind Partners have a -- someone on the advisory  
13 group that attends our meetings.

14 But I wanted to answer one of the questions that  
15 was posed by Mike specifically regarding why have MECO only  
16 projected 10 megawatts in our IRP plan that's going to be  
17 submitted to PUC very soon. A quick answer to that is  
18 stability. One of the challenges we face with the Kaheawa  
19 Wind plant operating at 30 megawatts when the wind is  
20 blowing, it creates at certain times when the wind stops  
21 automatically a decline in our power generation from the  
22 wind side. And it causes some instability for our system.

23 What we are proposing in our discussions with them  
24 in their nonutility generating applications, which they have  
25 submitted to HECO/MECO, is to review in our interconnection

1 study as part of the process of installing wind generators  
2 on our system. And so we are certainly open to the idea of  
3 renewable energy on our system.

4 We are also aware that additional wind will cause  
5 some issues with stability. We are not opposed to working  
6 with the developer trying to create a system that will  
7 provide stable power once it's generated by the wind. And  
8 so, you know, we're having some ongoing discussions on that.  
9 As it relates to the County's suggestions, I will leave it  
10 at that. I think there were more suggestions through the  
11 Public Utilities Commissions, rather questions, but I would  
12 also like to propose that a lot of these discussions can be  
13 held in our IRP process.

14 But as I stated earlier, our IRP-3 plan is  
15 basically being completed and our goal is to submit it to  
16 the PUC as soon as possible. We've already asked for one  
17 extension. We don't want to do it again. We want to  
18 complete it.

19 As far as Mr. Shibuya's comments, we certainly  
20 believe in renewable energy and trying to replace fossil  
21 fuel with some type of renewable energy. In the future,  
22 you'll be hearing more about our biodiesel usage in our  
23 Maalaea power plants. We believe that will certainly allow  
24 us to provide renewable energy as soon as possible. As we  
25 look at PV systems that are available to our customers,

1 presently we have about 84 net metering customers utilizing  
2 PV systems. It's a very successful program as far as we're  
3 concerned here in Maui County.

4 And we look forward to working with our customers  
5 to enhance the net metering program here at Maui County.

6 CHAIRMAN CALIBOSO: Thank you Mr. Reinhardt.  
7 Mr. Reinhardt, you mentioned the IRP plan, and it's  
8 scheduled to be submitted through the Commission soon.  
9 That's towards the end of this month; is that correct?

10 MR. REINHARDT: Yes, the plan is to be submitted  
11 by the end of April, this month.

12 CHAIRMAN CALIBOSO: Just so all of you know as  
13 well, we will be open to consider holding a public meeting  
14 after that plan is submitted to the Commission so that  
15 members of the advisory group can address the Commission  
16 directly on that plan without having to formally intervene  
17 in the docket.

18 MR. REINHARDT: I might just want to add regarding  
19 the advisory group, we had a group that started with us a  
20 few years ago and they've really stuck to it. And we have a  
21 plan we believe that is a plan for the future, and there  
22 will be a positive step for the Maui Electric Company.

23 CHAIRMAN CALIBOSO: Thank you, Mr. Reinhardt.

24 MR. REINHARDT: Thank you.

25 CHAIRMAN CALIBOSO: At this time, I would like to



1 ask Commission Counsel Ji Sook Kim to briefly explain what  
2 will happen following the conclusion of this evening's  
3 proceedings.

4 MS. KIM: Those wishing to present written  
5 comments or additional comments, as applicable, should  
6 submit them to our Honolulu office at 465 South King Street,  
7 Room Number 103, Honolulu, Hawai'i, 96813. Written comments  
8 may also be submitted through e-mail at  
9 hawaii.puc@hawaii.gov.

10 Those wishing to intervene or participate without  
11 intervention in the proceeding must do so by Monday, May  
12 7th, 2007, through a motion to intervene or participate  
13 filed pursuant to Subchapter 7, Hawai'i Administrative  
14 Rules, Title 6, Chapter 61, Rules of Practice and Procedure  
15 Before the Public Utilities Commission.

16 This proceeding will be governed by a regulatory  
17 schedule, which will be part of a procedural order that will  
18 be issued by the Commission in this docket. Unless waived  
19 by the parties, an evidentiary hearing on the matters of  
20 this docket will be held after the parties have conducted  
21 discovery pursuant to the regulatory schedule. When the  
22 docket record is complete, the Commission will make every  
23 effort to finish our deliberations and issue a decision on  
24 this matter by November 23rd, 2007, as applicable and as set  
25 forth by state law.

1 CHAIRMAN CALIBOSO: Thank you, Ms. Kim. This  
2 concludes our public hearing. Thank you for your testimony  
3 and for your attendance this evening. Good night. We are  
4 adjourned.

5 (The hearing ended at 6:35 p.m)  
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## C E R T I F I C A T I O N

I, RACHELLE PRIMEAUX, Notary Public for the State of Hawaii, certify:

That the proceedings contained herein were taken by me in machine shorthand and were thereafter reduced to print under my supervision by means of computer-aided transcription; that the foregoing represents, to the best of my ability, a true and accurate transcript of the proceedings had in the foregoing matter.

I further certify that I am neither attorney for any of the parties hereto nor in any way concerned with the cause.

Dated this 7<sup>th</sup> day of May, 2007.



NOTARY PUBLIC, State of Hawaii

My commission expires 6/14/08